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10 March 1971

MEMORANDUM FOR THE RECORD

**SUBJECT: Request for Agency Position on "Cost of Living"
Amendment Proposal by Office of Management
and Budget**

1. Talked with Robert Hull, Department of State on the Civil Service Commission's proposed legislation to assure a retiree an annuity not less than what he would have received had he retired effective with a preceding cost of living adjustment. Hull said that they too had been "gigged" by OMB to get their report in on the proposal (like us, they were first given the standard 30 days for the report, which was shortened to two weeks and now OMB erroneously claims that a deadline of 9 March had been set).

2. We discussed the merits of the proposal, coming out just about where we did on 3 March, when we first talked about it. The disadvantages appear to outweigh the advantages except for the lessening of administrative burden on the Civil Service Commission caused by bunched up retirements prior to a cost of living adjustment under current law. The costs of the proposal far outweigh the administrative savings. The proposal also takes away the incentive to retire by a fixed date in order to qualify for a COL adjustment, and spreads the time frame from some three to ten months, with corresponding effect on ceiling reduction through voluntary retirement. This could be a major problem with the Department of Defense, but apparently the views of DOD have not been solicited.

3. Aside from these considerations, State may be reluctant to buck the proposal because of possible adverse spin off from CSC on legislative proposals on the Foreign Service retirement system.

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4. I told Hull that despite the snafu in OMB in setting a time deadline for our report, in view of the obvious push I would be recommending that we give OMB an oral report to be followed up by a written report if they wish. I said we would probably arrive at our position some time today and I would let him know the outcome.

5. Separately, Hull advised that two proposed amendments to the Foreign Service retirement act receiving serious consideration would (a) provide orphans with survivor benefits at Social Security levels, and (b) permit an unmarried employee to designate dependents other than children or spouse as beneficiaries for death in service benefits and possibly survivor annuity benefits as well.

6. Later, Mr. Harry Fisher called and advised that, based on his review and discussions with Mr. Coffey and [REDACTED] we should support the proposed legislation and interpose no objection. Based on this I called Hilda Schreiber, OMB, and relayed this position to her and she said there would be no need for a written report unless we wanted to submit other considerations. In response to her question, I told her that if the proposed legislation was enacted, similar amendments for the CIA Retirement Act would probably be proposed primarily to overcome the administrative problems of treating Agency employees differently, depending upon the retirement system to which they belong. Subsequently, I advised Hull of our action and he said they would take the same position but they might well point out the disincentive aspects of the proposal.

STATINTL

[REDACTED]
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